

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 OES-03 /059 W

----- 010080

R 211600Z FEB 75

FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 0510

INFO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: APPLICATION OF GUINEAN MINERALS TAX: FRIGUIA

BOARD MEETING

1. NORANDA PRESIDENT BRUCE ALLAN, AND OLD GUINEA HAND CLAUDE BASSINE, CALLED AT EMBASSY FEB 20 TO REPORT ON COMPLETE IMPASSE RESULTING FROM FRIGUIA BOARD MEETING IN CONAKRY THIS WEEK. NORANDA REPS STATED THAT GUINEAN GOV'T POSITION, EXPRESSED BY BOARD CHAIRMAN N'FAMARA KEITA, DID NOT WAVER AT ALL FROM LINE SET FORTH BY PRESIDENT TOURE IN HIS JAN 13 SPEECH ANNOUNCING NEW BAUXITE/ALUMINA EXPORT TAX (CONAKRY 058, NOTAL). GUINEAN POSITION WAS THAT ALTHOUGH GOG FULLY RESPECTS PREVIOUS AGREEMENTS, NEW TAX REPRESENTS POLICY OF PRESIDENT TOURE HIMSELF AND SUPERSEDES ALL PREVIOUS ARRANGEMENTS. NORANDA REPS EMPHASIZED THAT THERE APPEARED TO BE NO GIVE WHATSOEVER IN GUINEAN POSITION. AT SAME TIME, NONE OF FRIGUIA PRIVATE PARTNERS WERE WILLING TO ACCEPT THE MEASURES.

2. PROBLEM, ACCORDING TO NORANDA REPS, IS NOT SO MUCH TAX ITSELF, BUT GOG INSISTENCE THAT HENCEFORTH ALL PROCEEDS AND PROFITS FROM FRIGUIA OPERATION BE DEPOSITED IN GUINEAN NATIONAL BANK. THIS

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WOULD IN EFFECT GIVE GUINEANS VETO ON ANY FOREIGN CURRENCY

PAYMENTS--INCLUDING DEPT PAYMENTS-- MADE BY FRIGUIA. THUS GUINEANS CONTINUE INSIST ON CHANGE IN "RULE OF ONE-THIRD", AND POSITION SEEMS EVEN MORE RIGID THAN BEFORE.

3. FRIGUIA PARTNERS ALSO CONCERNED AT TAX, WHICH NORANDA REPS SAID WOULD AMOUNT OF \$8.40 PER TON ALUMINA. NEVERTHELESS, THEY INDICATED TAX PROBLEM COULD BE WORKED OUT, PROVIDED SATISFACTORY RESOLUTION REACHED ON "ONE-THIRD RULE."

4. FRIGUIA MEETING WAS FIRST OPPORTUNITY FOR GOG TO PUT ITS NEW MINERALS POLICY INTO CONCRETE APPLICATION. FRIGUIA PARTNERS HAVE IMPRESSION THAT GOG USING FRIGUIA AS "GUINEA PIG," IN HOPES THAT BY FORCING FRIGUIA PARTNERS TO ACCEPT NEW TAX AND OTHER ARRANGEMENTS, GUINEANS WILL HAVE LEVERAGE IN SUBSEQUENT NEGOTIATIONS WITH OTHER MIXED COMPANIES, STARTING WITH CBG AND SOVIET OPERATION (OBK). NORANDA REPS OBVIOUSLY HOPE THAT CBG WILL TAKE SAME FIRM POSITION AGAINST ACCEPTING THESE NEW MEASURES, AND THAT, BECAUSE GUINEA DESPERATELY NEEDS FOREIGN CURRENCY, GOG WILL BE FORCED TO COMPROMISE.

5. OUTCOME OF FRIGUIA MEETING IS THAT GOG AND PARTNERS WILL SIMPLY AGREE TO DISAGREE. NORANDA REPS EMPHASIZE THE NEGOTIATIONS AND MEETINGS WERE CORDIAL THROUGHOUT, BUT THEY NOW FEEL ANY NEW INITIATIVE FOR RESUMING TALKS MUST COME FROM GUINEAN SIDE.

6. ALLAN AND BASSINE DEPARTING CONAKRY FEB 21, AND WILL RETURN TO US TO DISCUSS MATTER WITH OPIC, IN CONTEXT OF OPIC INVESTMENT GUARANTEES. (SEE STATE 070185, APRIL 1974, FOR BACKGROUND INFORMATION THIS MATTER). OLIN CORPORATION, WHICH RECENTLY SOLD ITS INTEREST IN FRIGUIA TO NORANDA, HAS INFORMED US THAT PART OF OPIC INSURANCE CONTINUES IN FORCE UNTIL 1978.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, ALUMINUM, BAUXITE, TAX CHANGES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CONAKR00275
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750063-1075
From: CONAKRY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750225/aaaaavql.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2003 by BoyleJA>; APPROVED <07 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: APPLICATION OF GUINEAN MINERALS TAX: FRIGUIA BOARD MEETING
TAGS: EMIN, ETRD, GV, FRIGUIA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006